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SUBJECT: SINGAPORE EYES NEW OPPORTUNITIES IN LATIN AMERICA

11. (SBU) Summary: Singapore's Prime Minister and other top officials took advantage of attendance at APEC meetings in Peru to strengthen and broaden relationships in Latin America. After years of mostly indifference to the region, Singapore is making a push to expand trade and investment in Latin America, one of the few areas in the world where Singapore's exports are still on the rise. Singapore is already party to Free Trade Agreements (FTA) with Chile and Panama, is awaiting ratification of another with Peru, and would like to complete agreements with Mexico, Costa Rica and the Mercosur countries. Singapore sees itself as a potential hub for Latin American businesses to access Southeast Asian markets. New ties in the region are going beyond the economic realm, as Singapore signed agreements with Brazil in science and technology cooperation and air services and looks to cooperate on health, energy, and other global issues. However, the economic push is hampered by a lack of understanding and few cultural, educational or other links that could help support and expand the new ties. End Summary.

12. (SBU) In his first official trip to Latin America as Prime Minister, Singapore PM LEE Hsien Loong, accompanied by Foreign Minister George Yeo, took advantage of travel to November's APEC leaders meetings in Peru to make official visits to Brazil and Chile. Minister of Trade and Industry LIM Hng Kiang made separate trips to Mexico and Panama. In Brazil, PM Lee oversaw the signing of three memorandums of understanding on promotion of trade and investment, cooperation in science and technology, and a new air services agreement. Lee also inked an education agreement with Chile to promote exchanges of students and educators and kicked off the first Singapore Food Festival in Santiago. In Panama, Minister Lim conducted the inaugural review of the Singapore-Panama FTA which came into force in July 2006.

Latin America back on Singapore's Radar  
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13. (SBU) After years of general indifference to Latin America, Singapore has renewed interest in dealing with the region as trade and investment have begun to take off. LOH Tuck Keat, Deputy Director of the MFA's Americas Unit, told us Latin America had grown in importance for Singapore and the PM decided to visit to develop his own impressions of the region. Alpana Roy, Deputy Director of the Americas division in the Ministry of Trade and Industry (MTI), told Econoff that during the 1990s business interest in Latin America had sparked, particularly in Mexico after the signing of the North America Free Trade Agreement. However, with the recent economic rise of China and India and the flood of new opportunities

there, interest in Latin America again waned. In the past three or four years, Roy said, business interest began to pick up again as Singapore businesses recognized they had missed opportunities, particularly in Brazil, as economies there continued to develop strongly.

14. (SBU) Although Latin America is the destination for only four percent of Singapore's exports, it has been Singapore's fastest growing export market, hitting 55 percent growth for the year through November, 2008. Even for the month of November, as the global financial crisis began to hit home and Singapore's main markets shrank by double digits, exports to Latin America posted a 63 percent gain. Singapore's main export markets in the region are Brazil, Mexico and Panama. Singaporean companies hope to parlay their substantial experience in infrastructure, ports, oil and gas, information communications and food processing into investment and trade opportunities. Singapore is keeping an eye toward opportunities in a post-Castro Cuba, including in oil exploration, tourism and health care.

15. (SBU) Singapore is making a push into Latin America while trade is still light, according to MTI's Roy, in hopes of locking in markets before the rest of Southeast Asia discovers the opportunities there. Nearly 60 Singapore-based companies are engaged in a variety of business and investment projects in Latin America. However, as the only developed country in Southeast Asia and a producer of higher-end goods and services, Singapore is not necessarily competing for the same markets in Latin America as would the rest of the region, or India and China for that matter. Singapore is also pitching itself as a potential hub for Latin American businesses and a gateway to the rest of Asia. Blue chip

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Latin American companies like Embraer, Petrobras, Vale, and Grupo Modelo from Brazil and Mexico have established a presence in Singapore. Singapore also sees a role in boosting development in Latin America. A number of countries reportedly see Singapore's rapid ascent to First World status as a model to follow and Singapore has offered assistance in improving economic growth, particularly in port operations and customs facilities.

16. (SBU) As the largest economy in Latin America, Brazil has taken the topmost rung of importance for the GOS, with Mexico and Panama a rung below. Somewhat to Singapore's surprise, Brazil is taking seriously the new trade and investment agreement signed during PM Lee's visit. MTI's Roy said Brazil has already submitted detailed proposals on areas to advance economic ties. The two sides have developed a work plan, and a joint committee will meet in the first quarter of this year to discuss the proposals. Nevertheless, MTI's Roy told Econoff that Brazilian business is far out front of the GOB in building economic ties. She was not entirely optimistic the official economic relationship would move at a breakneck pace. Roy described advocates of change in the GOB as few and far between compared to those supporting the status quo.

17. (SBU) Ties with Brazil are going beyond trade and investment. Brazil's leadership in the Latin America region and in a number of multilateral fora helped raise Brazil's profile in Singapore, and the GOS is looking to build ties in other areas. During PM Lee's visit, Singapore signed an agreement on cooperation in science and technology, to be kicked off with a joint research project on dengue fever. Singapore hopes the cooperation will lead to further joint work on infectious diseases, with later work on biotech, pharmaceuticals and renewable energy. Singapore is also looking forward to a possible official visit by Brazilian PM Lula in 2009.

FTAs open the doors...

18. (SBU) Singapore has FTAs in force with Panama and Chile, is awaiting ratification of another with Peru, and would like to restart long-stalled FTA negotiations with Mexico. Singapore would like to take advantage of what it sees as unrealized potential in Mexico, given its proximity to the U.S., but MTI says talks have hung up on the Mexican side due to internal politics and concerns that Singapore is being used as a conduit for a flood of cheap

Chinese imports. Singapore will also begin FTA negotiations with Costa Rica. The Costa Ricans were persistent in pushing for an FTA, including during a recent visit by PM Arias that clinched the commitment, but MTI sees little benefit from an eventual agreement. Singapore is more interested in a potential FTA with the Mercosur block (Brazil, Argentina, Paraguay and Uruguay) having already signed an MOU with the trading group in 2007. However, MTI is frank that the purpose would be to open the market with Brazil; the other members of Mercosur are of much less importance. Singapore is also interested in a broader ASEAN-Mercosur agreement. During PM Lee's visit, Brazil hosted the first ASEAN-Mercosur Ministerial Meeting, and Singapore plans to follow up on the margins of other multilateral meetings later this year.

¶9. (SBU) Singapore's sovereign wealth funds (SWF) have made new inroads into Latin America as well, with Temasek Holdings recently opening offices in Mexico City and Sao Paulo. According to MTI, Temasek expects lower growth rates in Latin America compared to its main focus countries in Asia, but sees a greater number of untapped opportunities. One of Temasek's initial investments was an anchor stake in GP Capital Partners, part of Brazil's leading private equity player GP Investments, giving it a number of co-investment opportunities. The Singapore Government Investment Corporation (GIC) has also made investments in equities and real estate in Latin America, including a recent stake in Mexican developer Mexico Retail Properties. MTI insists, however, that despite the government ownership, the SWFs base their investment decisions on purely commercial and not political factors.  
...But Lack of Ties Bars the Way  
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¶10. (SBU) Latin America holds potential in business and other areas, but GOS officials readily admit that a lack of strong links and understanding is hampering any rapid expansion of the current

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tenuous ties. Singapore has no embassies in Latin America and handles relations through non-resident Ambassadors, typically business leaders or academics who reside in Singapore. Singapore and Latin America lack any history of significant cultural or educational ties, with few Latin students studying in Singapore and vice versa. There are no direct flights to Latin America, with Singapore caught in a Catch-22: until trade and investment develop there is insufficient demand for flights, but without direct air links it is difficult to explore commercial relationships.

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